



MEDIUM TERM BUDGET

2012/13- 2014/15

TABLE OF CONTENTS

Description	Page
List of figures and tables	
Glossary of terms and acronyms	
List of votes	
Purpose	
Part 1: Annual budget	
Chapter 1: Executive summary	
Chapter 2: The budget	
Part 2: Supporting documentation	
Chapter 3: Overview of annual budget process	
Chapter 4: Overview of alignment of annual budget with IDP	
Chapter 5: Measurable performance objectives and indicators	
Chapter 6: Overview of budget related policies	
Chapter 7: Tariff List	
Chapter 8: Overview of budget assumptions	
Chapter 9: Overview of budget funding	
Chapter 10: Expenditure on allocations and grant programmes	
Chapter 11: Councillors allowances and employee benefits	
Chapter 12 Legislation compliance status	
Chapter 13 Resolutions	
Chapter 14 Detail budgets per department	

LIST OF FIGURES AND TABLES

NO	DESCRIPTION
Table A1	Budget Summary
Table A2	Budgeted Financial Performance (revenue and expenditure by standard classification)
Table A3	Budgeted Financial Performance (revenue and expenditure by municipal vote)
Table A4	Budgeted Financial Performance (revenue and expenditure)
Table A5	Budgeted Capital Expenditure by vote, standard classification and funding
Table A6	Budgeted Financial Position
Table A7	Budgeted Cash Flows
Table A8	Cash backed Reserves/Accumulated Surplus Reconciliation
Table A9	Asset Management
Table A10	Basic Service Delivery Measurement
SA1	Supporting detail to Budget Financial Performance
SA3	Supporting detail to Budget Financial Position
SA4	Reconciliation of Budget and Strategic Objectives - Revenue
SA5	Reconciliation of Budget and Strategic Objectives – Expenditure
SA 6	Reconciliation of Budget and Strategic Objectives – Capital Budget
SA8	Performance indicators and benchmarks
SA9	Social, economic and demographic statistics and assumptions
SA10	Funding measurement
SA14	Household bills
SA15	Investment particulars by type
SA16	Investment particulars by maturity
SA17	Borrowing
SA18	Transfers and grant receipts
SA19	Expenditure on transfers and grant programme
SA20	Reconciliation of transfers, grant receipts and unspent funds
SA22	Summary councillor and staff benefits
SA 23	Salaries, allowances and benefits (political office bearers, Councillors and senior managers)
SA 24	Summary of personnel numbers

LIST OF FIGURES AND TABLES

NO	DESCRIPTION
SA25	Budgeted monthly revenue and expenditure
SA26	Budgeted monthly revenue and expenditure by municipal vote
SA27	Budgeted monthly revenue and expenditure by standard Classification
SA28	Budgeted monthly capital expenditure by municipal vote
SA29	Budgeted monthly capital expenditure by standard Classification
SA30	Consolidated budgeted monthly cash flow
SA31	Aggregated entity budget
SA32	List of external mechanisms
SA33	Contracts having future budgetary implications
SA34	Capital expenditure by asset class
SA35	Future financial implications of the capital budget
SA36	Detail capital expenditure
SA37	Projects delayed from previous financial year(s)
Annexure 1	Detailed budget related policies

GLOSSARY OF TERMS AND ACRONYMS

Acronym

Budget Steering Committee : A strategic planning forum aimed at identifying key spending priorities for the municipality

Budget related policies : Policies of a municipality that affect or are affected by the budget.

CAPEX: Capital expenditure, spending on municipal assets such as land, buildings, roads, etc.

CPIX: Consumer price index excluding interest on mortgages

CPI: Consumer price index

GAAP: Generally Accepted Accounting Practice

COGTA: Cooperative Governance and Traditional Affairs

GRAP: Generally Recognised Accounting Practice

FBS: Free basic services

IDP: Integrated Development Plan, a strategic document detailing the City's medium term plan for development.

IGR: Intergovernmental relations

ICT: Information and communication technology

LED: Local economic development

MFMA: Municipal Financial Management Framework, Act 56 of 2003, legislation providing a framework for financial management in local government.

MIG: Municipal Infrastructure Grant

MSA: Municipal Systems Act, Act 32 of 2000.

MTB: Medium Term Budget, a three year financial plan of a municipality.

MTBPS: Medium Term Budget Policy Statement

NT: National Treasury of South Africa

OPEX: Operating expenditure, spending on the day to day operational activities such as salaries and wages, repairs and maintenance, general expenses.

SALGA: South African Local Government Association

SDBIP: Service Delivery and Budget Implementation Plan, a detailed plan containing quarterly performance targets and monthly budget estimates.

LIST OF VOTES

-  Mayoral Executive
-  Council General
-  Office of the Municipal Manager
-  Budget and Treasury
-  Corporate Services
-  Licensing and Traffic
-  Local Economic Development and Planning
-  Sports and Culture
-  Public Works
-  Cemeteries
-  Community hall and centres
-  Parks and Recreation
-  Library
-  Town Hall and Offices
-  Housing
-  Sanitation
-  Refuse Removal
-  Electricity
-  Water

PURPOSE

The main strategic outcomes of the budget are to ensure:

- ✚ Modernizing financial management and improving accountability.
- ✚ Compilation of three year budgets.
- ✚ Deepening and improving the budget preparation process, by involving the political leadership and community.
- ✚ Ensuring that the IDP and Budget are linked, and that the IDP takes account of budgetary resources, and contain proper capital and operational plans.
- ✚ Improving the in-year implementation of the budget.
- ✚ Improving the audit and performance reporting after the financial year has ended.

The purpose of this document is to submit draft 2012/13 medium-term budget (MTB) consideration by Council and community consultation of on the proposed tariff increases, projects and service delivery programmes.

The budget was compiled within the framework of the MFMA, Circular No the National Treasury and the New Municipal Budget Regulations.

Those Circulars provides instructions, guidance and information on crucial issues that municipalities need to consider when preparing their 2012-13 budgets.

PART 1



CHAPTER1: EXECUTIVE SUMMARY

CHAPTER1: EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the local wide financial plan is essential and critical to ensure that the Local remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Local business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 55, 58 and 59 were used to guide the compilation of the draft 2012/13 MTREF.

The main challenges experienced during the compilation of the 2012/13 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water & sanitation, roads and electricity bulk infrastructure;
- The need to re-priorities projects and expenditure within the existing resource envelope given the cash flow realities and the cash position of the municipality;
- The need to fill critical vacancies and to attract skilled labour through competitive remunerations;
- Affordability of capital projects – the municipal allocation relating to infrastructure grant associated with capital investment is limited (Municipal Infrastructure Grant), thus limit the functions of the Local in relation to bulk infrastructure investment for the budget year 2012/13 MTREF and beyond; and
- Availability and/or affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- The 2011/12 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2012/13 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

CHAPTER 2: THE BUDGET

THE BUDGET

In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2012/13 MTREF

R thousand	Original Budget 2011/12 (R'000)	Adjusted budget 2011/12 (R'000)	Budget Year 2012/13 (R'000)	Budget Year +1 2013/14 (R'000)	Budget Year +2 2014/15 (R'000)
Total Operating Revenue	101,117	112,979	110,460	117,618	126,435
Total Operating Expenditure	94,719	105,078	107,601	112,980	118,629
Surplus / (Deficit) for the year	6,398	7,901	2,859	4,638	7,807
Total Capital Expenditure	26,998	33,491	35,496	36,379	50,261

Total operating revenue has increased by 9 per cent or R9, 3 million for the 2012/13 financial year when compared to the 2011/12 original budget. For the two outer years, operational revenue will increase by 6 and 7 per cent respectively. Increase in electricity tariffs and grants are the main reasons for growth in the revenue budget.

Total operating expenditure for the 2012/13 financial year has been appropriated at R107,6 million and translates into a budgeted surplus of R2,8million, when compared to the 2011/12 original budget, operational expenditure has increased by 14 per cent in the 2012/13 budget and continues to grow by 5 and 5 per cent for the 2013-14 and 2014-15 respectively. The growth could be attributed to bulk purchases, repairs and maintenance, salaries and inflationary increases.

The operating surplus for the two outer years steadily increases to R4, 6 million and then decrease to R7, 8 million. These surpluses will be used to fund capital expenditure to enhance infrastructure as well as plant machinery needed for service delivery.

The capital budget for 2012/13 is R35, 4 million. The capital programme amounts to R36, 4 million in the 2013/14 financial year and R50, 2 million in 2014/15 financial year. The most of the capital budget will be funded from grants (Municipal Infrastructure Grant and Provincial Infrastructure Grant) and own source revenue realized from savings in the operating revenue over MTREF.

Operating Revenue Framework

For Kgetlengrivier Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty.

The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the and continued economic development;
- Efficient revenue management;
- Customer Survey and Data Purification Project;
- Continuous interim valuations of the properties
- Implementation of Debt Collection By-Laws

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description R thousand	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source					
Property rates	3,600	4,600	4,600	4,600	4,600
Property rates - penalties & collection charges	–	–	–	–	–
Service charges - electricity revenue	27,334	27,534	30,307	33,586	37,223
Service charges - water revenue	6,893	6,893	7,236	7,598	7,978
Service charges - sanitation revenue	3,260	3,260	3,260	3,423	3,594
Service charges - refuse revenue	1,558	1,558	1,635	1,717	1,803
Service charges - other	1,940	7,740	7,173	7,532	7,908
Rental of facilities and equipment	13	13	14	15	15
Interest earned - external investments	1,953	1,953	1,913	2,009	2,109
Interest earned - outstanding debtors	9,700	12,200	4,200	4,410	4,631
Dividends received	–	–	–	–	–
Fines	3,780	3,780	3,480	3,654	3,837
Licences and permits	–	–	–	–	–
Agency services	–	–	–	–	–
Transfers recognised - operational	40,929	43,194	46,440	48,863	52,515
Other revenue	158	255	202	212	223
Gains on disposal of PPE	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)	101,118	112,980	110,460	117,618	126,435

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit. Operating grants and transfers forms a significant percentage of the revenue basket for the municipality. Operating grants and transfers totals R46,4 million (which represents 39% of the operating budget) in the 2012/13 financial year and increase to R48.9 million and R52,5 million in the 2013/2014 and 2014/15 respectively.

Electricity is the major source of own income at 27% (R30,3 million in the 2012-13 financial year).

Table 3 Operating Transfers and Grant

Receipts

LOCAL GOVERNMENT MTEF ALLOCATIONS: 2012/13 - 2014/15

B NW374 Kgetlengrivier	2012/13 R thousands	2013/14 R thousands	2014/15 R thousands
<u>DIRECT TRANSFERS FROM NATIONAL DEPARTMENTS</u>			
Local Government Equitable Share	42 641	45 963	49 565
General Fuel Levy Sharing with Metropolitan Municipalities			
Conditional Grants from National Departments	23 437	23 642	28 946
of which			
<u>Infrastructure Grants</u>	20 137	21 242	26 496
Cooperative Governance	20 137	21 242	26 496
Municipal Infrastructure Grant (Schedule 6)	20 137	21 242	26 496
<u>Recurrent Grants (Schedule 6)</u>	2 300	2 400	2 450
Cooperative Governance	800	900	950
Municipal Systems Improvement Grant	800	900	950
National Treasury	1 500	1 500	1 500
Local Government Financial Management Grant	1 500	1 500	1 500
Public Works	1 000	-	-
EPWP Incentive Grant for Municipalities	1 000	-	-
TOTAL: DIRECT TRANSFERS FROM NATIONAL DEPARTMENTS	66 078	69 605	78 511
B NW374 Kgetlengrivier	2012/13 R thousands	2013/14 R thousands	2014/15 R thousands
<u>TRANSFERS FROM PROVINCIAL DEPARTMENTS</u>			
Municipal Allocations from Provincial Departments	13 000	11 000	19 260
of which			
Sport Arts and Culture	500	500	3 300
Library Grant	500	500	3 300
Local Government and Traditional Affairs	12 500	10 500	15 960
Bucket Replacement	12 500	10 200	15 960
Fire and Emergency Grant in aid	-	300	-
SUB-TOTAL: TRANSFERS FROM PROVINCIAL DEPARTMENTS	13 000	11 000	19 260
TOTAL: TRANSFERS FROM NATIONAL AND PROVINCIAL DEPARTMENTS	79 078	80 605	97 771
<u>INDIRECT TRANSFERS FROM NATIONAL DEPARTMENTS</u>			
Allocations-In-Kind to Municipalities (Schedule 7)	13 204	-	-
of which			
Energy	13 204	-	-
Integrated National Electrification Programme (Eskom) Grant	13 204	-	-
Electricity Demand Side Management (Eskom) Grant			
TOTAL: INDIRECT TRANSFERS FROM NATIONAL DEPARTMENTS	13 204	-	-

Operating Expenditure Framework

The Municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

Table 4 Summary of operating expenditure by type

Description	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand					
Expenditure By Type					
Employee related costs	33,167	29,825	34,587	36,317	38,133
Remuneration of councillors	2,686	3,815	2,696	2,831	2,972
Debt impairment	2,500	2,500	4,000	4,200	4,410
Depreciation & asset impairment	1,452	1,932	1,660	1,743	1,830
Finance charges	–	–	–	–	–
Bulk purchases	18,543	19,543	21,433	22,505	23,630
Other materials	1,030	1,170	1,179	1,235	1,296
Contracted services	2,862	5,242	5,655	5,940	6,235
Transfers and grants	–	–	–	–	–
Other expenditure	32,478	41,050	36,392	37,361	38,383
Loss on disposal of PPE	–	–	–	–	–
Total Expenditure	94,718	105,077	107,601	112,131	116,889

The budgeted allocation for employee related costs for the 2012/13 financial year totals R34,5 million, which is less than 35 per cent of the total operating expenditure in line with the relevant guidelines. Based on the National treasury Guidelines, salary increases have been factored into this budget at a percentage increase of 5 per cent for the 2012/13 financial year. Key vacant positions have also been included in the employee costs. Bulk purchases of electricity are budgeted at R21, 4 million (which represents 20% of the operating budget) in the 2012-13 financial year.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget. Notwithstanding, the above facts the Councillors projected increase has been estimated at 7 per cent in the 2012/2013 .

Due to the increasing legislative compliance requirement contracted services has been identified as one component that is increasing at cost for the Municipality. As part of the compilation of the 2012/13 MTREF this group of expenditure was critically evaluated and Head of Department had to motivate for this service to be included in the budget. In the 2012/13 financial year, this group of expenditure totals R5, 7 million and has escalated by just 0.07 per cent. For the two outer years growth has been limited to 5 and 5 per cent. The costs of formalization of townships have also been included in the professional services for the 2012-13 budget.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 5.4 per cent for 2012/13 and curbed at 5,6% and 5,4% per cent for the two outer years, indicating that significant cost savings have been already realised.

PART 2

CHAPTER 3: OVERVIEW OF THE ANNUAL BUDGET PROCESS



CHAPTER 3: OVERVIEW OF THE ANNUAL BUDGET PROCESS

In terms of the Section 24 of the MFMA, Council must at least 30 days before the start of the financial year consider approval of the annual budget. The MFMA aims to put in place a sound financial framework and sets out timelines for budget preparations and approval.

IDP consultation and public hearings were held in all 6 wards of Kgetlengrivier Municipality between September and October 2011. Draft MTB estimates for the 2012-13 were determined and issued to all departments to prepare their draft budgets.

The draft MTB will tabled at a Council meeting to be held on 30 March 2012.

The table below outlines the timelines for the overall process of Budget, Tariffs and IDP.

Budget Process	Timeframe
IDP & Budget Process Schedule Preparation	July 2011
Table Process Schedule in Council	August 2011
Steering Committee Establishment	August 2011
First External Consultation Process – Community and Sector Departments (Informal)	September to October 2011
Issuing of final indicatives by Budget Office	January 2012
Submission of final draft tariffs, budgets and inputs to Budget Office	February 2012
Presentation of draft IDP, budget, tariffs, reviewed policies and reviewed IDP to Finance Portfolio Committee	March 2012
Tabling of the draft budget, tariffs and IDP at Council	March 2012
Public participation on the tabled budget, tariffs and IDP	April to May 2012
Approval of final IDP and Budget by Finance Portfolio Committee	May 2012
Council approval of final Budget and IDP	May 2012
Approval of Business Plans, SDBIP and Section 57 Managers performance agreements	18 June 2012
Tariffs and by-laws promulgated in Provincial Government Gazette	June 2012

CHAPTER 4:

OVERVIEW OF ALIGNMENT OF THE ANNUAL BUDGET

CHAPTER 4: OVERVIEW OF ALIGNMENT OF THE ANNUAL BUDGET WITH THE IDP

The municipality's IDP contains the medium-term focus areas for development. These focus areas set the agenda for resource planning and allocation over the medium term.

Council has set the following priorities:

- ✚ A safe, clean and green municipality;
- ✚ A well-governed and managed municipality;
- ✚ Housing and services; and
- ✚ Economic growth and job creation.
- ✚ Deliver more and better services in a caring and efficient manner;
- ✚ Hold political office bearers and public servants accountable;
- ✚ Shift resources to new priorities;
- ✚ Move from debate to effective implementation and decisive action; and
- ✚ Work in partnership with communities, labour and business to achieve our shared objectives.

The 2012/13 budget continues to address the following IDP interventions:

Local Economic Development

- ✚ A budget of **R 2,8 million** from own funding has been allocated for L.E.D projects and SMME development and career exhibition expo have also been planned.
- ✚ In the 2012/13 financial year, Kgetlengrivier Municipality intends to:
 - ✚ Resuscitate L.E.D projects that were previously initiated.
- ✚ Encourage small businesses, women and youth to form cooperatives.
- ✚ Implement its LED Strategy effectively in the 2012/13 financial years, through initiating ward based projects throughout the Municipality.
- ✚ Exploit all possibilities to source funds from Development Finance Institutions such as DTI, NDA, Mines, Donors, etc and big businesses on behalf of promising SMMEs in the Municipality.
- ✚ Build enough institutional capacity to establish effective Tourism, Agriculture and LED forums.

- ✚ Insist on encouraging the Municipality to register all its infrastructure development projects with EPWP from which general public can participate, learn while also building enough capacity to create new entrepreneurs.
- ✚ Request assistance from institutions such as CIDB, NHBRC and SEDA to train emerging contractors in construction and facilitate their accreditation.
- ✚ Develop an Investment Incentive Scheme/Policy so as to attract new investment in the Municipality.
- ✚ Kgetleng Show
- ✚ Land availability for NGOs and Churches
- ✚ Paving brick making plant
- ✚ Letsema project will also be implemented to improve service delivery and job creation.

Infrastructure and Service delivery

This KPA is performed through Technical Services and Community Services Directorates. The municipality renders the following basic services to the residents in the urban areas; Water Provision; Sewerage Disposal; Refuse Removal and Electricity Provision. Other services rendered by the municipality to residents, include; Streets and Storm Water , Parks, Sports and Recreational Facilities; Cemeteries, Libraries, Primary Health Care, Traffic Control, Housing and Town Planning.

Households with access to the following services in Kgetlengrivier as compared to the North West Province (ranking 7 nationally) is depicted in the table below;

	North West	Kgetlengrivier	Backlog
Electricity	78,3%	63,5%	36,5%
Piped water	89,9%	80,8%	19,2%
Full or intermediate sanitation	53,4%	87,5%	12,5%

Refuse removal Services	48,81%	47,5%	52,5%
--------------------------------	--------	-------	-------

Table 5 Summary of Capital expenditure by type

Vote Description	2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital Expenditure - Standard			
Governance and administration	1,550	3,200	4,000
Executive and council - General Vehicles	700	1,800	2,000
Budget and treasury office - Computers	700	1,000	1,500
Corporate services - Office Equipments	150	400	500
Community and public safety	1,200	1,437	1,805
Community and social services	–	1,437	1,805
Sport and recreation	–		
Public safety - Traffic paving & Fencing (Swartuggens)	1,200	–	–
Housing	–		
Health	–		
Economic and environmental services	8,350	16,742	10,796
Planning and development			
Road transport	8,350	16,742	10,796
Environmental protection			
Trading services	24,337	15,000	33,660
Electricity	1,800		5,700
Water	20,500	15,000	12,000
Waste water management	2,037		15,960
Waste management	–		
Other	–		
Total Capital Expenditure - Standard	35,437	36,379	50,261
Funded by:			
National Government	20,137	21,242	26,496
Provincial Government	12,500	10,500	15,960
District Municipality	–	–	–
Other transfers and grants	–	–	–
Transfers recognised - capital	32,637	31,742	42,456
Public contributions & donations	–	–	–
Borrowing	–	–	–
Internally generated funds	2,859	4,637	7,805
Total Capital Funding	35,496	36,379	50,261

Kgetlengrivier Municipality Water, Sanitation, Electricity, Cemeteries and Roads **Infrastructure Budget** for 2012/13 amounts to **R35, 4 million**, then increases to R36, 3 million and increases to R50, 2 million the 2013-14 and 2014-15 respectively.

CHAPTER 5: MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Refer to the IDP and Service Delivery and Budget Implementation Plan for measurable performance objectives

CHAPTER 6: OVERVIEW OF BUDGET-RELATED POLICIES

Budgeting is central to the process of prioritising for service delivery and the management of the functions of Council.

The municipality's budgeting process is guided and governed by relevant legislation and budget related policies.

The following are the key policies that were reviewed during the 2012-13 budget process;

-  Credit control and debt collection policy
-  Indigent Policy
-  Tariffs Policy
-  Subsistence and Travelling Policy
-  Overtime policy
-  Cellphone and 3G Cards Policy

Refer to **Annexure 1** for proposed amendments on the above policies.

CHAPTER 7: TARIFF LISTS

Refer to the **Annexure 2** for detailed tariff list.

CHAPTER 8: OVERVIEW OF BUDGET ASSUMPTIONS

Budget assumptions provide a comprehensive summary of all assumption made in preparing the budget proposals. Macro and micro economic matters, internal and external factors are taken into consideration.

The 2012/13 – 2014/15 Medium Term Budget has been prepared within a highly volatile and highly uncertain economic environment, making the budgeting process even more challenging.

Division of Revenue Act

The Division of Revenue Bill for 2012/2013 was utilized to determine the Equitable Share, Councilors remuneration subsidy, Financial Management Grant, Municipal Systems Improvement Grant, and Municipal Infrastructure Grant and National Electrification Programme Grant.

Average Salary increases

National Treasury Guidelines stipulates that salaries for 2012-13 financial year will be increased by **5%**. Thus salaries, allowances and employee benefits were increased by the same percentage

Price movements on bulk purchases and other expenses

-  Bulk electricity purchases were increased by **16,06%** and electricity tariff increase by 11.03% according to Eskom guidelines as approved by NERSA.
-  Repairs and Maintenance, General expenses and Capital Expenditure were budgeted based on inputs from all departments within the municipality.

Inflation

According to MFMA circular no 58 issued by the National Treasury, inflation rate is expected to stay between 3 to 6 percent. Consumer price index for the 2012/13 is estimated at 5,4%.

Indigent Registration and Approval

The main challenge facing Kgetlengrivier municipality is registration and verification of indigents, currently the number of applications received are estimated at **4000** and this figure could increase to **5000** in the 2012/13 financial year.

Supply of Free basic Services

The increase in the number of indigents in the municipal area will mean that additional amount to be spent on indigent subsidies and write-offs.

6kl free basic water will be provided to residential consumers only.

The municipality is in the process of finalizing database of beneficiaries of free basic electricity of 50kw/h per month and negotiations with Eskom are underway.

Collection rates for main revenue sources

Collection rate of the current year budget levies is estimated at 75%, the allocation of these receipts depend on priority according to the tariff policy.

The municipality has planned to introduce credit control measures in the 2012-13 financial year and revenue collection will be increased from 75% to 95%.

CHAPTER 9: OVERVIEW OF BUDGET FUNDING

Review of past performance

Operating Revenue and expenditure (29 February 2012)

A summarised extract of the statement of financial performance is as follows:

Description	APPROVED BUDGET	EXP YTD	% EXP
OPERATING REVENUE			
Property Rates	3 600 000	2 722 465	76
Interest Earned - Investments	1 953 000	198 338	10
Service Charges: Electricity	27 333 650	13 830 590	51
: Water	6 893 089	3 489 856	51
: Sanitation	3 259 730	2 067 065	63
: Refuse	1 557 240	718 582	46
: Other	1 939 557	5 344 407	276
Rental of facilities & equipment	13 475	3 207	24
Interest Earned - Outstanding debtors	9 700 000	8 543 756	88
Fines	3 780 000	1 260 018	33
Licencing & permits	-	4 443 183	0
Grants received - Operating/Capex	40 929 000	40 499 158	99
Other Revenue	158 406	111 126	70
Total Operating Revenue	101 117 147	83 231 751	82
OPERATING EXPENDITURE			
Employee Cost - Wages & Salaries	33 167 532	20 019 403	60
Debt impairment	2 500 000	1 666 664	67
Remuneration Of Councillors	2 686 459	3 054 647	114
Depreciation	1 452 319	1 419 589	98
Bulk purchases	18 542 940	13 301 427	72
Other materials	1 030 331	830 808	81
Contracted Services	2 861 727	4 342 815	152
General Expenses - Other	32 477 974	24 286 780	75
Total Operating Expenditure	94 719 282	68 922 133	73
SURPLUS / (DEFICIT)	6 397 865	14 309 618	

The municipality will increase tariffs for its services are as follows for 2011/12;

Service	% Increase
Electricity	11,03%
Water	5,4%
Refuse	5,4%
Sanitation	5,4%

CHAPTER 10: EXPENDITURE ON TRANSFERS AND GRANT PROGRAMME

Refer to Table SA 19

CHAPTER 11: COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Refer to Table SA22, SA 23 and SA24 for more detailed information on personnel and payroll expenses.

CHAPTER 12: LEGISLATION COMPLIANCE STATUS

The promulgation of the Municipal Finance Management Act (The Act) has brought in proficiency and control measures to local government in terms of budgeting, monitoring and accounting on public funds. The Act has had a profound effect on local government operations that required transformation in financial discipline and planning processes.

The budget preparation for 2012/13 to 2014/15 complies with most of these key requirements.

Purpose and quality of MFMA returns

Section 71 Reports

- *Purpose – Status of municipal finance position*
- *Quality – The main challenge relates to reconciliation of accounts and this makes it difficult to provide the information timeously.*

Borrowing Monitoring Return Form

- *Purpose – Status of municipal long debt*
- *Quality – Information provided every quarter is based on confirmed balances in the previous year and payment made during the quarter.*

Budget Evaluation Checklist (Circular 10)

- *Purpose – Progress on compilation of budget*
- *Quality – Information is adequately provided as and when required.*

MFMA 12 Urgent Priorities (Circular 5)

- *Purpose – Implementation of MFMA*
- *Quality – Assessment and evaluation relating to progress made needs to be enhanced.*

Corporate Entities (Circular 5)

- *Purpose – To monitor compliance with S178 (2) of the MFMA*
- *Quality – The municipality does not have entities.*

PPP's (Circular 5)

- *Purpose – To monitor compliance with S178 (2) of the MFMA*
- *Quality – The municipality did not enter into any PPP's.*

Long Term Contracts

- *Purpose – To monitor compliance with S178 (2) of the MFMA*
- *Quality – Information required for this return is provided sufficiently.*

Internal audit and audit committees

- + The municipality has established the **internal audit** unit and is sharing Audit Committee with Bojanala District Municipality.

Risk Plans

The municipality has not performed risk assessment for the 2011-12 financial year.

Implementation of Supply Chain Management

Preferential policy objectives identified to be met through each contract.

- + threshold values contained in the SCM Policy aligned with the values stipulated in regulation
- + Records are kept for the following;
 - Written or verbal quotations received and awards made.
 - Tenders and all other bids received and awards made.
 - Petty Cash purchases

Supply Chain Management Unit has been established and relevant statutory reports are currently compiled.

- + All the three bid committees have established, are functional but there is lack of capacity.

Tabling of Section 71 Reports in Council

- + Monthly 71 reports are tabled Council (Although not on time due to lack of capacity).

Treasury Guidelines (Gazzete dated 9 April 2001)

- + Treasury Guidelines relating to financial management, and budget preparation & implementation are adhered to and this has been included in the budget policy.

Performance agreements

- + Performance agreement was entered into between the Mayor and the Accounting Officer for 2011/12 financial year.
- + Performance agreements were developed for 2011/12 financial year, and signed by all Section 57 managers.

GRAP Implementation

- + The municipality has prepared the 2007-08, 2008-09 , 2009-2010 and 2010-11 Annual Financial Statements in line with GRAP.
- + GRAP compliant Asset Register was prepared by TMDG through assistance from Bojanala Platinum District Municipality.

CHAPTER 13: RESOLUTIONS

1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the draft annual budget of the municipality for the financial year 2012/13; and indicative allocations for the two projected outer years 2013/14 and 2014/15; and the multi-year and single year capital appropriations be approved as set-out in the following tables:

1.1 Budgeted Financial Performance (revenue and expenditure by standard classification);

1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote);

1.3 Budgeted Financial Performance (revenue by source and expenditure by type); and

1.4 Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.

2. That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be adopted as set-out in the following tables:

2.1 Budgeted Financial Position;

2.2 Budgeted Cash Flows;

2.3 Cash backed reserves and accumulated surplus reconciliation;

2.4 Asset management; and

2.5 Basic service delivery measurement.

3. That in terms of section 24(2)(c)(i) and (ii) of the Municipal Finance Management Act, 56 of 2003 and sections 74 and 75A of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates that were used to prepare the estimates of revenue by source, be approved with effect from 1 July 2012.

4. That in terms of section 24(2)(c)(iii) of the Municipal Finance Management Act, 56 of 2003, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out **Chapter 5** be approved.

CHAPTER 14: DETAIL BUDGETS PER DEPARTMENT

The detailed draft annual budget for the financial year 2012/13; and indicative allocations for the two projected outer years 2013/14 and 2014/15; are as set-out in the Tables 1 to Table 10 and related schedules on SA1 to SA 37.



COMPILED BY:
BUDGET AND TREASURY OFFICE

For Enquiries, contact;

S.E. MOFOKENG

CHIEF FINANCIAL OFFICER

(014) 543 2004

083 456 5823

mofokengs@kgetlengrivier.gov.za